

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name COLEMAN AREA FIRE PROTECTIN BOARD	County MIDLAND&ISABELL
Audit Date 6/30/04	Opinion Date 9/29/04	Date Accountant Report Submitted to State: 11-17-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH			
Street Address 601 Beech Street		City Clare	State MI
Accountant Signature <i>Shannon A Wilson CPA</i>		ZIP 48617	Date 11-17-04



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COLEMAN AREA FIRE PROTECTION BOARD MIDLAND AND ISABELLA COUNTIES, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2004

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RSM! McGladrey Network

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Independent Auditors' Report

September 29, 2004

To the Board of Directors
Coleman Area Fire Protection Board
Midland and Isabella Counties, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of Coleman Area Fire Protection Board as of and for the year ended June 30, 2004, which collectively comprise the Coleman Area Fire Protection Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coleman Area Fire Protection Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Coleman Area Fire Protection Board as of June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

To the Board of Directors
Coleman Area Fire Protection Board
September 29, 2004

As described in Note 1, the Government has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

Required Supplemental Information

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Our discussion and analysis of the Coleman Area Fire Protection Board's (Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2004.

Financial Highlights

The Board's net assets increased by \$16,766 or 4%. Program revenues were \$135,065 or 97% of total revenues, and general revenues were \$4,403 or 3%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Coleman Area Fire Protection Board financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Board's operations in more detail than the Government-wide financial. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Governmental-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Reporting the Board as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Board's finances is, "Is the Board better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Board's net assets as a way to measure the Board's financial position. The change in net assets provides the reader a tool to assist in determining whether the Board's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as assessment base, and facility conditions in arriving at their conclusion regarding the overall health of Board.

Reporting the Board's Most Significant Funds

Fund Financial Statements

The Board's fund financial statements provide detail information about the most significant funds – not the Board as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The general fund used by the Board is a governmental fund.

Governmental Funds

The Board's activities are reported in the governmental fund, which focus on how money flows into and out of the general fund and the balances left at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Board's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Board's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Board-wide Financial Analysis

The Statement of Net Assets provides the perspective of the Board as a whole. Exhibit A provides a summary of the Board's net assets as of June 30, 2004:

Exhibit A	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 118,689
Prepaid expenses	1,181
Capital assets - net of accumulated depreciation	<u>496,564</u>
Total assets	<u>616,434</u>
Liabilities	
Current liabilities	298
Long-term liabilities	<u>99,380</u>
Total liabilities	<u>99,678</u>
Net Assets	
Invested in property and equipment - net of related debt	397,184
Unrestricted	<u>119,572</u>

This analysis focuses on net assets. The Board's net assets were \$516,756 at June 30, 2004. Capital assets, net of related debt totaling \$397,184 compares the original costs, less depreciation of the Board's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from assessments collected for operations of the Board.

The \$119,572 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

The results of this year's operations for the Board as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2004. Since this is the first year the Board has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Exhibit B	<u>Governmental Activities</u>
Revenue	
Program revenue:	
Assessments	\$ 135,065
General revenue:	
Interest	4,195
Miscellaneous	<u>208</u>
Total revenue	<u>139,468</u>
Function/Program Expenses	
Public safety	120,996
Interest on long-term debt	<u>1,706</u>
Total expenses	<u>122,702</u>
Increase in Net Assets	<u><u>\$ 16,766</u></u>

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$122,702. Certain activities were funded from those who benefited from the programs. We paid for the remaining "public benefit" portion of our governmental activities interest and miscellaneous revenues.

The Board experienced an increase in net assets of \$16,766. Key reasons for the change in net assets were an increase in the property tax revenue and a decrease in current expenditures. The increase will be used for future operations and repayment of the capital lease. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Board's Fund

The Board uses the general fund to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Board is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Board's overall financial health.

The Board's governmental fund reported a fund balance of \$119,870, which is below last year's total of \$282,039. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2004 and 2003.

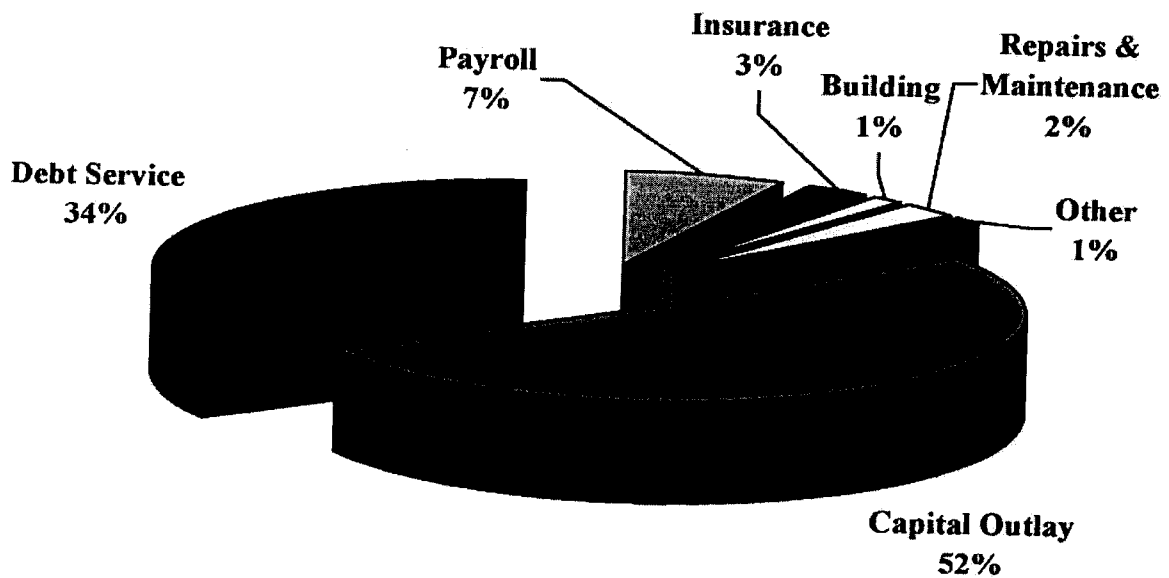
	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u>
General	\$ 119,870	\$ 282,039	\$ (162,169)

- Our General Fund decreased \$162,169. The decrease is mainly due to the payments made on the capital lease.

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

As the graph below illustrates, 52% of the Boards' General Fund resources are spent on capital outlay. Another 34% is spent on repayment on the capital lease, while 7% is payroll and payroll related expenses. The remaining 7% is spent on other expenditures as shown below.

Expenditures



COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

The chart below compares current year expenditures with prior year.

<i>Expenditures by Function</i>	<u>2004</u>	<u>2003</u>
Current operations	\$ 89,281	\$ 75,776
Capital outlay	310,328	28,397
Debt service	<u>203,975</u>	<u>0</u>
Total	<u>\$ 603,584</u>	<u>\$ 104,173</u>

Expenditures are up by \$499,411 over the prior year mostly due to the purchase of the Pierce Enforcer pumper, the payments on the capital lease associated with the purchase of the Pierce Enforcer pumper and insurance costs.

General Fund Budgetary Highlights

Over the course of the year, the Board revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Board's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no changes to the General Fund original budget. The differences between the budget and the final actual amounts are as follows:

- Actual revenues exceeded budgeted revenue by \$3,968. The difference is due a increase in investment income.
- Actual other financing sources exceed the budgeted amounts by \$301,947. The difference is due to the issuance of debt to acquire the Pierce Enforcer pumper.
- Actual expenditures exceeded the budgeted expenditures by \$486,884. The difference is due to the purchase of the Pierce Enforcer pumper, the payments on the capital lease associated with the purchase of the Pierce pumper and an increase in insurance costs.

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Capital Assets

At June 30, 2004, the Board had \$859,366 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of \$301,947 or 35 %, from last year.

	2004	2003
Land	\$ 30,812	\$ 30,812
Buildings and improvements	225,000	225,000
Machinery and equipment	603,554	301,607
Total capital assets	859,366	557,419
Less accumulated depreciation	362,802	339,468
Net capital assets	<u>\$ 496,564</u>	<u>\$ 217,951</u>

This year's additions of \$301,947 was for the Pierce Enforcer pumper. A capital lease was entered into finance the addition.

We do not anticipate any significant additions to the capital assets in the upcoming year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Board had \$99,380 in long-term debt. There was no debt at June 30, 2003. Long-term debt consists of the following:

	2004	2003
Capital lease	\$ 99,380	\$ 0

The Board's outstanding general obligation debt of \$99,380 is significantly below the statutorily imposed limit.

COLEMAN AREA FIRE PROTECTION BOARD
Management's Discussion and Analysis
For the Year Ended June 30, 2004

Factors Expected to Have an Effect on Future Operations

We expect revenue from assessments to be comparable to the current year. We will need to adjust Board expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Coleman Area Fire Protection Board. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Coleman Area Fire Protection Board
P.O. Box 366
Coleman, MI 48618

COLEMAN AREA FIRE PROTECTION BOARD
Statement of Net Assets
June 30, 2004

Governmental
Activities

<u>Assets</u>	
Cash and cash equivalents	
Prepaid expenses	\$ 118,689
Capital assets - net of accumulated depreciation of \$465,752	1,181
	<u>496,564</u>
Total Assets	<u>616,434</u>
<u>Liabilities</u>	
Accrued interest	
Long-term liabilities:	298
Due within one year	
Due in more than one year	9,016
	<u>90,364</u>
Total Liabilities	<u>99,678</u>
<u>Net Assets</u>	
Invested in capital assets - net of related debt	
Unrestricted	397,184
Total Net Assets	<u>119,572</u>
	<u><u>\$ 516,756</u></u>

See accompanying notes to financial statements

COLEMAN AREA FIRE PROTECTION BOARD
Statement of Activities
For the Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>
Primary Government -			Net (Expense)
Governmental activities:		Charges for	Revenue and
Public safety		<u>Services</u>	<u>Changes in</u>
Interest on long-term debt	\$ 120,996	\$ 135,065	\$ 14,069
	<u>1,706</u>	<u>0</u>	<u>(1,706)</u>
Total governmental activities	<u>\$ 122,702</u>	<u>\$ 135,065</u>	<u>12,363</u>
General revenues:			
Interest			4,195
Miscellaneous			<u>208</u>
Total general revenues			<u>4,403</u>
Change in net assets			16,766
Net assets - beginning of year			<u>499,990</u>
Net assets - end of year			<u>\$ 516,756</u>

See accompanying notes to financial statements

COLEMAN AREA FIRE PROTECTION BOARD
Governmental Fund
Balance Sheet
June 30, 2004

<u>Assets</u>	<u>General</u>
Cash and cash equivalents	\$ 118,689
Prepaid expenditures	<u>1,181</u>
	<u>\$ 119,870</u>
<u>Fund Balance</u>	
Unreserved and undesignated	<u>\$ 119,870</u>

See accompanying notes to financial statements

COLEMAN AREA FIRE PROTECTION BOARD
Reconciliation of Balance Sheet of Governmental Fund
to the Statement of Net Assets
June 30, 2004

Total fund balance - governmental fund	\$ 119,870
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	859,366
Accumulated depreciation	(362,802)
Long-term liabilities are not due and payable in the current period and are not reported in the fund	
Capital lease	(99,380)
Accrued interest payable is not included as a liability in governmental activities	(298)
Total net assets - governmental activities	<u>\$ 516,756</u>

See accompanying notes to financial statements

COLEMAN AREA FIRE PROTECTION BOARD
Governmental Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2004

	General Fund
<u>Revenues</u>	
Assessments	
Interest	\$ 135,065
Miscellaneous	4,195
Total revenues	<u>208</u>
	<u>139,468</u>
<u>Expenditures</u>	
Current operations	
Capital outlay	89,281
Debt service;	310,328
Principal	
Interest	202,567
Total expenditures	<u>1,408</u>
	<u>603,584</u>
Excess (deficiency) of revenues over expenditures	(464,116)
<u>Other Financing Sources</u>	
Proceeds from issuance of debt	<u>301,947</u>
Net change in fund balance	(162,169)
Fund balance - beginning of year	<u>282,039</u>
Fund balance - end of year	<u>\$ 119,870</u>

See accompanying notes to financial statements

COLEMAN AREA FIRE PROTECTION BOARD
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balance - total governmental fund	\$ (162,169)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report loan proceeds; in the statement of activities, these financial resources are not reported as revenue	(301,947)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(23,334)
Capital outlay	301,947
Repayment of capital lease is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	202,567
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(298)
Change in net assets of governmental activities	<u><u>\$ 16,766</u></u>

See accompanying notes to financial statements

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Coleman Area Fire Protection Board (Board) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Coleman Area Fire Protection Board:

Reporting Entity

The Coleman Area Fire Protection Board was organized to provide fire protection to residents of the City of Coleman, Warren and Geneva Townships in Midland County and Denver and Wise Townships in Isabella County. The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Board.

The Board reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles, and equipment are being depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Vehicles and related equipment	5 to 12 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

COLEMAN AREA FIRE PROTECTION BOARD

Notes to Financial Statements

For the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Change – Effective July 1, 2003, the Board implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Board's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Board's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Board's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$859,366 less accumulated depreciation \$465,752. In addition, the governmental activities column includes other long-term obligations totaling \$99,380 previously reported in the General Long-term Debt Account Group.

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Coleman Area Fire Protection Board follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Board's supervisor submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Coleman Area Fire Protection Board incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund			
Current	\$ 71,400	\$ 89,281	\$ (17,881)
Capital outlay	45,300	310,328	(265,028)
Debt service	0	203,975	(203,975)

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Board's deposits are in accordance with statutory authority.

At year-end, the Board's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	<u>\$ 118,689</u>

The Board had no investments as of June 30, 2004.

The bank balance of the Board's deposits is \$124,387, of which \$100,000 is covered by federal depository insurance.

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Board for the current year was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,812	\$ 0	\$ 0	\$ 30,812
Capital assets being depreciated:				
Buildings	225,000	0	0	225,000
Machinery and equipment	301,607	301,947	0	603,554
Subtotal	526,607	301,947	0	828,554
Less accumulated depreciation for:				
Buildings	78,750	5,625	0	84,375
Machinery and equipment	260,718	17,709	0	278,427
Subtotal	339,468	23,334	0	362,802
Net capital assets being depreciated	187,139	278,613	0	465,752
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 217,951</u>	<u>\$ 278,613</u>	<u>\$ 0</u>	<u>\$ 496,564</u>

Depreciation expense was charged to Board as follows:

Public safety	\$ 23,334
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COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 5 – LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2003	Additions	Retirements and Adjustments	Balance June 30, 2004	Amount Due Within One Year
Capital Leases	\$ 0	\$ 301,947	\$ 202,567	\$ 99,380	\$ 9,016

Coleman Area Fire Protection Board entered into a capital lease agreement on February 25, 2004 in the amount of \$301,947 at an interest rate of 4.99% for ten years. The capital lease was used to purchase a Pierce Enforcer Pumper.

Depreciation of the vehicle being purchased by capital lease is included in depreciation expense. The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2004:

2005	\$ 13,975
2006	13,975
2007	13,975
2008	13,975
2009	13,975
2010-2013	55,900
	125,775
Amount representing interest	(26,395)
	<u>\$ 99,380</u>

NOTE 6 – RISK MANAGEMENT

The Coleman Area Fire Protection Board is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Coleman Area Fire Protection Board participates in the Michigan Municipal League risk pool for claims relating to relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

COLEMAN AREA FIRE PROTECTION BOARD
Notes to Financial Statements
For the Year Ended June 30, 2004

NOTE 6 – RISK MANAGEMENT (CONTINUED)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Coleman Area Fire Protection Board.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Boards Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 7 – RELATED PARTIES

The Board has purchased services for vehicle and equipment maintenance during the year from businesses whose owner is also a member of the Board of Directors in the amount of \$23,618.

Required Supplemental Information

COLEMAN AREA FIRE PROTECTION BOARD
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Assessments:				
City of Coleman	\$ 27,805	\$ 27,805	\$ 27,962	\$ 157
Township of Denver	6,205	6,205	4,489	(1,716)
Township of Geneva	29,144	29,144	30,482	1,338
Township of Warren	55,428	55,428	55,427	(1)
Township of Wise	16,918	16,918	16,705	(213)
Investment income	0	0	4,195	4,195
Miscellaneous	0	0	208	208
Total revenues	<u>135,500</u>	<u>135,500</u>	<u>139,468</u>	<u>3,968</u>
<u>Expenditures</u>				
Current:				
Firefighter payroll and reimbursements:				
Payroll			8,415	
Payroll taxes			644	
Clothing allowance			10,451	
Travel allowance			22,938	
	<u>45,000</u>	<u>45,000</u>	<u>42,448</u>	<u>2,552</u>
Insurance	1,600	1,600	13,827	(12,227)
Utilities	6,000	6,000	3,474	2,526
Telephone	650	650	761	(111)
Vehicle repair and maintenance	4,000	4,000	3,727	273
Gas, oil and grease	2,200	2,200	1,106	1,094
Equipment repair and maintenance	3,500	3,500	8,285	(4,785)
Radio repair and maintenance	1,000	1,000	1,064	(64)
Building repairs and maintenance	1,000	1,000	4,629	(3,629)
Dues and education	2,500	2,500	2,108	392
Supplies	950	950	1,210	(260)
Professional fees	1,500	1,500	2,865	(1,365)
Miscellaneous	1,250	1,250	3,777	(2,527)
Contingency	250	250	0	250
Capital outlay:				
Equipment purchases	45,300	45,300	310,328	(265,028)
Debt service	0	0	203,975	(203,975)
Total expenditures	<u>116,700</u>	<u>116,700</u>	<u>603,584</u>	<u>(486,884)</u>

COLEMAN AREA FIRE PROTECTION BOARD
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2004

Excess (deficiency) of revenues over expenditures	\$ 18,800	\$ 18,800	\$ (464,116)	\$ (482,916)
<u>Other Financing Sources</u>				
Proceeds from issuance of debt	<u>0</u>	<u>0</u>	<u>301,947</u>	<u>301,947</u>
Net change in fund balance	18,800	18,800	(162,169)	(180,969)
Fund balance - beginning of year	<u>282,039</u>	<u>282,039</u>	<u>282,039</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 300,839</u></u>	<u><u>\$ 300,839</u></u>	<u><u>\$ 119,870</u></u>	<u><u>\$ (180,969)</u></u>



WEINLANDER FITZHUGH

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September 29, 2004

Coleman Area Fire Protection Board
P.O. Box 366
Coleman, Michigan

This letter is intended to inform the Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards

Our audit of the financial statements of the Board for the year ended June 30, 2004 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Coleman Area Fire Protection Board

September 29, 2004

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Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

Accounting Policies and Alternative Treatments

Management and the Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Board. The significant accounting policies adopted by the Board are described in Footnote 1 to the financial statements. The Board adopted several significant Governmental Accounting Standards Board (GASB) Statements in the current year including:

GASB No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments

GASB No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus

GASB No. 38, Certain Financial Statement Note Disclosures

GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant principles, the basis for management’s judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.



WEINLANDER FITZHUGH

Coleman Area Fire Protection Board
September 29, 2004
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Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Board.

This report is intended solely for the information and use of the Board, management and the State of Michigan and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh